

Appendix C: Texas Program Management Plan

AIR FORCE UTILITIES PRIVATIZATION PROGRAM TEXAS REGIONAL DEMONSTRATION PROJECT

PROGRAM MANAGEMENT PLAN (PMP)

14 September 1998

New statutory authority (Title 10, USC, Sec 2688) has recently been approved to allow the transfer of ownership of existing Air Force utility systems to private, municipal, regional, district, or cooperative utility companies or other entities. Also, the need to manage the execution of privatizing utilities is heightened by increased interest resulting from the Secretary of Defense announcement to initiate privatization of all utility systems (electric, water, waste water, and natural gas) by January 1, 2000 (except for those systems needed for unique security reasons or when privatization would negatively impact readiness or when privatization is proven to be uneconomical).

The US Air Force Civil Engineer (AF/ILE) has overall program management responsibility for utilities privatization and has assigned project management and execution responsibilities for the Utilities Privatization Program to Headquarters Air Force Civil Engineer Support Agency (HQ AFCESA) at Tyndall AFB FL.

The Air Force, in partnership with the Defense Energy Support Center (DESC), proposes to conduct a utilities privatization effort in the State of Texas. The first activity will involve a multi-installation utilities privatization evaluation that will, potentially, achieve economies of scale in time and money by analyzing co-located installations concentrated in south central Texas. The results of this demonstration will be applied to future analyses of Air Force utilities targeted for privatization.

The utility systems at seven Air Force installations will be analyzed as part of the Texas demonstration project: Brooks AFB, Lackland AFB, Laughlin AFB, Goodfellow AFB, Sheppard AFB, Randolph AFB and Dyess AFB. An AFCESA contractor will evaluate the water, wastewater, electric and natural gas utilities for each of the installations except for Dyess (natural gas only), and will recommend a procurement strategy for each installation based upon market interest, the regulatory environment, and the necessity for competition or the ability to utilize a sole-source provider. This study will follow the procedures outlined in the draft AF Utilities Privatization Policy and Guidance, April 1998 version.

An Integrated Process Team (IPT) will be chaired by AETC (who will act as the lead execution agent) and include representatives from AFMC, ACC, AFCESA, the installations under study, AFCEE, and AF/ILEI, to support, monitor, and manage the project. AFCESA will provide technical expertise and contractor support to perform the feasibility, comprehensive and implementation phases for the project. Environmental base line surveys will be developed through AFCEE contractor(s) and reviewed by AFCEE staff. AFCEE staff will also review environmental work associated with the environmental impact analysis process done by AFCESA. Funding for this demonstration study will be provided by DESC who will also provide contracting support to identify and select a private entity if the feasibility study indicates the utility system should be privatized. The Air Force has the final decision on the disposition of the utility system(s).

Procedures have been established to assess the benefits while concurrently limiting the adverse impact to the government and ensuring compliance with public laws. The Air Force has developed a three-phased approach to privatize its utility systems: the Preliminary Feasibility

Assessment Phase; the Comprehensive Analysis and Approval Phase; and the Privatization Implementation Phase. In addition, a revalidation of the readiness and security environment is required before any system enters the privatization process. A decision on whether or not to proceed with the privatization occurs at the close of each phase. This section describes the actions that must be taken to execute this program. A time-phased plan with specific actions and their respective deadlines is located at the end of this document.

Revalidation of the Candidates

Prior to contract award for the privatization analysis, the IPT must review the security, readiness and other concerns that may serve to limit the scope of a privatization effort. Once these reviews have been completed, the IPT is to make a recommendation to the appropriate MAJCOM and AF/ILEI on whether or not to proceed with the project.

Security Concerns

The Air Force Outsourcing and Privatization Panel chartered an integrated process team to develop a list of vulnerabilities faced by the Air Force when utilities are privatized. The results of this assessment are detailed in Appendix E of the AF Utilities Privatization Implementation Plan. Therefore, the IPT has completed a review of the unique security implications of privatizing all of the Texas Regional utility systems.

Readiness Concerns

AFCESA, in coordination with AF/ILEI and the appropriate MAJCOMs, has completed a review of readiness requirements and their impact on potential privatization activities. This review established a baseline of activities that could potentially be privatized without adversely affecting readiness. Prior to proceeding with a privatization study or analysis, AFCESA must revalidate the readiness impact results.

Statement of Work

A draft statement of work outlining the requirements and expectations for the contractor preparing the Feasibility Analysis will be prepared by AFCESA. The IPT and the affected installation(s) will tailor the work requirements to reflect the particular characteristics of the system(s) under study. Upon receipt of comments, AFCESA will prepare a final SOW along with all other contracting documents specified by the Tyndall AFB Contracting Office. AFCESA and the Tyndall Contracting Office will obtain an appropriate contract/contractor.

Phase I: Preliminary Feasibility Assessment Phase

The AFCESA contractor, working with the installation, IPT and AFCESA personnel, will prepare a feasibility analysis report on the selected utility systems. Upon completion, the installation, IPT, AF/ILEI and AFCESA will review the report. If the results of the feasibility report show privatization is uneconomical, the IPT shall recommend termination of the project(s) to the appropriate MAJCOMs and SAF/MII, through AF/ILEI. Otherwise, the project(s) will proceed to the next phase.

Phase II: Comprehensive Analysis and Approval Phase

The Comprehensive Analysis and Approval Phase defines the terms and conditions of the utility system conveyance and includes the following steps necessary to prepare the Comprehensive Analysis Report. This report is needed to define the terms and conditions of the proposed privatization and to draft the request for proposal (RFP). This phase includes:

- Project Plan and Feasibility Analysis Report from Phase I
- Environmental Baseline Survey to assess the condition of the property
- Preparation of Real Estate Documents (Survey, Appraisal, Terms and Conditions, etc)
- Environmental Impact Analysis
- Operational Impact Analysis to determine the risk mitigation requirements in the contract
- Transition plans that determine RFP terms and conditions
- Project Summary
- Draft RFP development, including the acquisition plan, source selection plan, and evaluation criteria

AFCEE prepares the environmental baseline survey. The AFCESA contractor, with input from AFCESA, the IPT and the installation, prepares environmental and operational impact analysis, the draft transition plans, and the project summary. The installation will prepare the real estate documents necessary to transfer ownership of the system(s). The IPT will assist in all of the activities required to prepare the project for issuing an RFP. All appropriate documents are to be sent to DESC to solicit for proposals. Prior to issuing the RFP, the IPT, AFCEE, and AFCESA must review the Comprehensive Analysis Report; and approval must be obtained from SAF/MII, via AF/ILEI.

Phase III: Final Feasibility and Implementation

The final phase of the utilities privatization process is built around the acquisition process and includes the following:

- Finalize the RFP
- Prepare and issue the Commerce Business Daily (CBD) announcement
- Issue the RFP
- Conduct a pre-qualification phase (Step 1)
- Conduct a technical proposal phase (Step 2)
- Prepare a draft economic analysis (based on proposals)
- Negotiate best and final offers, select a firm, and agree to terms and conditions
- Prepare the “certified economic analysis”
- Complete the contract and real estate instrument(s)
- Prepare the project package and submit it for approval and Congressional notification
- Award the contract and implement the transition

DESC serves as the focal point for contracting requirements for the Air Force. Based on DESC recommendations and IPT approval, AETC, AFMC, ACC, the installation(s), AFCEE, AF/ILEI, AFCESA and AFCESA’s contractor may be asked to participate on the source selection evaluation team and/or review the proposals in making recommendations to the Source Selection Authority (SSA). Congressional notification is required following the SSA's final decision.

Participant Specific Roles

AFCESA

HQ AFCESA will provide technical assistance to include contract support for the Texas privatization efforts including the following:

- Participate in installation site visits
- Conduct feasibility analyses to include:
 - Conduct requirement analysis
 - Support the installations and the IPT in developing the Project Plan
 - Conduct an analysis of the state and local government regulatory review requirements
 - Conduct industry market analysis

- Perform a preliminary economic analysis
- Recommend proposed real estate terms and conditions which shall complement the utility services contract(s)
- Prepare and coordinate with the installations for the National Environmental Policy Act (NEPA)-required environmental impact analysis
- Prepare the operational impact analysis using the Operational Risk Management (ORM) format
- Prepare transition plans for employee transition, operational transfer, and post award management
- Develop an ultimate strategy for the purchase and billing of the utility commodity, ownership, and operation of the utility system, and the procurement of comprehensive utility services to meet Air Force needs
- Conduct the final economic analysis
- Prepare other technical reports, e.g., technical specifications and requirements documents for the RFP, draft CBD announcement, etc.
- Assist in the selection and negotiation of utility contract(s) and real estate instrument(s).
- Provide advice on utility rates and legal issues
- Provide briefings and technical packages for Air Staff, OSD and Congressional reviews and approvals

AFCEE

- Provide technical reviews and contractual support for Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) Section 120(h) compliance, including completing any required Environmental Baseline Surveys
- Provide technical reviews for the National Environmental Policy Act (NEPA)-required environmental impact analysis
- Provide environmental briefings and technical packages for Air Staff, OSD and Congressional reviews and approvals

IPT

The IPT has overall project management and execution responsibility. The IPT will:

- Assist the Air Staff in identifying unique security requirements that could preclude privatization of particular utility systems
- Assist installations in project activities

- Develop a project team for each installation
- Support site visits, and develop and submit project documents to HQ USAF/ILEI for review and approval
- Assist in the development of RFPs and source selection criteria
- Nominate and approve source selection team members
- Designate and select an Air Force Source Selection Team Chief
- Track RFPs and solicitations
- Establish and direct a utility privatization management team that includes professionals from contracting, real property, cost analysis, environmental, engineering, legal, and other specialties required for privatization analysis
- Prepare draft real estate documents, including legal descriptions and appraisals, if appropriate. Draft documents should be coordinated with MAJCOMs, AFCESA, and the Air Force Real Estate Agency
- Ensure that the Environmental Impact Analysis Process (EIAP) is completed for all privatization projects
- Assess the operational impact of privatizing each utility system on each installation

Installation Commanders

Installation Commanders are responsible for pursuing privatization to the maximum benefit of the Air Force. Specifically, the installation commander will:

- Designate a Base POC in writing to the MAJCOM/CE to provide data and advocate the wing position
- Assess and revalidate readiness impacts that might affect privatization
- Identify and revalidate unique security requirements that might affect privatization
- Provide input, review data, and approve ORM analysis as prepared by the AFCESA contractor
- Coordinate with AFCESA in preparing the Project Plan
- Coordinate on the feasibility and comprehensive analysis reports
- Initiate and maintain communications with the affected employees, unions, local community, elected officials, regulators, and the IPT
- Coordinate on the National Environmental Policy Act (NEPA)-required environmental impact analysis
- Coordinate with HQ AFCEE for the necessary environmental baseline surveys

- Manage post-award project activities
- Tailor generic SOW to the specifics of the installation utility systems

Defense Energy Support Center (DESC)

DESC will provide contracting support to facilitate and assist the USAF to privatize its Texas utility systems. The Defense Energy Support Center (DESC) support will primarily be provided in Phases II and III of the privatization process to include:

- In coordination with appropriate Air Force functional offices, prepare a justification and approval for sole-source actions for all systems where such actions are authorized by law and approved by Air Force
- Prepare acquisition plan
- Issue a regional Commerce Business Daily (CBD) synopsis
- Develop and issue the Request For Proposal (RFP)
- Prepare Prenegotiation Briefing Memorandum (PBM) with negotiation strategy and objectives
- Team with Air Force contracting, legal, and engineering experts in negotiating with the utility companies/offers(s)
- Prepare the source selection plan
- Assist the Air Force in evaluating offer(s)
- Initiate and manage the overall solicitation and evaluation process to ensure the best value for the Air Force with maximum value for its utility infrastructure and reliable and efficient distribution services at the best life cycle cost possible
- Provide all contractual related documentation to the Air Force. The Air Force will obtain approval for privatization and notify Congress
- If privatization is approved, execute the final contract award and transfer signed contract to the installation for contract administration
- Provide \$5.0 million of funding for the Texas Demonstration study. Funds will be transferred from DESC to AFCESA

Office of the Civil Engineer, DCS, Installations and Logistics (HQ USAF/ILE)

- HQ USAF/ILE, designated by the SAF as its focal point for all utilities, is tasked with the overall management responsibility for privatization initiatives. Privatization responsibilities include the following:
- Develop policy for privatization projects
- Develop and maintain the inventory of utility systems

- Conduct the initial readiness screen to determine which systems will be exempt from privatization
- Along with the IPT, determine which utility systems have unique security requirements that would exempt them from privatization
- Program and budget for privatization program resources
- Approve the initiation of privatization projects prior to submission to SAF/MII and for Congressional notification
- Coordinate and guide privatization projects through Air Staff and SAF reviews
- Direct preparation of information and status reports mandated by legislation and notifications of project initiation and awards to Congress
- Ensure that privatization projects are assessed for their environmental impact in accordance with AFI 32-7061

Deputy Assistant Secretary of the Air Force (Installations) (SAF/MII)

SAF/MII provides overarching privatization policy guidance, approves and supports privatization projects through the budget process, and initiates required Congressional notification through SAF/FMB. Specifically, SAF/MII will:

- Serves as Source Selection Authority (Added by AF/IEI)
- Approve the business arrangement, or “deal,” and notify Congress
- Approve real property deeds and leases before award
- Review and approve project award notifications

Financial Resources

The funding profiles shown below are for planning purposes only and do not necessarily reflect the current funding status of this program. This PMP does not constitute authority to commit, obligate, or expend funds, except as authorized in the appropriate Program Authorizations (PA) and Budget Appropriations (BA).

<u>Funding</u>	<u>FY 98</u>	<u>Total Program Cost</u>	
		(in \$M)	
		<u>FY 99</u>	<u>FY 00</u>
3400	\$5M	\$.05M	\$.05M

Total Program Cost: This is a level of effort for which funding will be provided by multiple sources. The figures used above represent basic costs, plus government administration costs such as TDY expenses.

Attachment

Attached is a spreadsheet on the steps, products, OPRs, OCRs, and approvals envisioned for implementing the Texas project. This attachment complements the text of this PMP for clarity purposes. [\(Click Here to View Attachment\)](#)